

103D CONGRESS
1ST SESSION

H. R. 2439

To amend the Internal Revenue Code of 1986 to allow for an unlimited number of shareholders in an S corporation if all of the shareholders are members of the same family.

IN THE HOUSE OF REPRESENTATIVES

JUNE 16, 1993

Mr. SHAW introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow for an unlimited number of shareholders in an S corporation if all of the shareholders are members of the same family.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 (a) IN GENERAL.—Subsection (b) of section 1361
4 (relating to small business corporations) is amended by
5 adding at the end thereof the following new paragraph:

6 “(3) EXCEPTION FOR FAMILY-HELD CORPORA-
7 TION.—

1 “(A) IN GENERAL.—Subparagraph (A) of
2 paragraph (1) shall not apply to a corporation
3 all of the shareholders of which are members of
4 the same family.

5 “(B) MEMBERS OF THE SAME FAMILY.—
6 For purposes of this paragraph, the term
7 “members of the same family” means the lineal
8 descendants of a common ancestor and the
9 spouses (or former spouses) of such lineal de-
10 scendants or common ancestor.

11 “(C) COMMON ANCESTOR.—For purposes
12 of this paragraph, an individual shall not be
13 considered a common ancestor if, as of the later
14 of the effective date of this paragraph or the
15 time the election under section 1362(a) is
16 made, the individual is more than four genera-
17 tions removed from the youngest generation of
18 shareholders.

19 “(D) EFFECT OF ADOPTION.—Individuals
20 related by legal adoption or by half-blood shall
21 be treated as related by whole blood.

22 (b) EFFECTIVE DATE.—The amendment made by
23 subsection (a) shall apply with respect to taxable years be-
24 ginning on or after the date of enactment of this Act.

○